

Dear Friend

Welcome to our September tax newsletter designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the topics covered.

Best wishes

Godley Tax Team

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### **3 MONTHS TO GO BEFORE LDF MEETS ITS END**

The "generous" Lichtenstein Disclosure Facility (LDF) is being ended prematurely on 31 December 2015. This facility was introduced by HMRC in 2009 and was due to end in April 2016 (to disclose any undeclared foreign income and gains).

The following are the key features of the LDF:

- Safeguard from criminal prosecution;
- Penalties of only 10% from 1999/2000 to 2008/09; and
- Disclosure period from 6 April 1999 as opposed to 20 years.

In the current climate, LDF is viewed as being too lenient and generous and therefore being ended early. We have assisted many tax payers over recent years to regularise their UK tax affairs under this facility. The new disclosure facility being proposed will not be as favourable as the LDF, for example minimum penalties of 30% and lack of safeguard from criminal prosecution.

On the [chart](#), we outline why we feel that the Liechtenstein Disclosure Opportunity could be the relevant 'trump card' in appropriate cases. Please contact [Viral Haria](#) or [Hemel Khimasia](#) who will be happy to discuss your case and guide you through the process.

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## BECOMING NON-UK RESIDENT!!

In light of the announcements made during the Summer Budget 2015, many individuals may be considering becoming non-UK resident. It is very important to make sure that an individual's residence position is clear. It could result in unforeseen and expensive UK tax consequences on the individual and the wider family. With the Statutory Resident Test (SRT) it is not impossible to become non-UK resident and plan UK tax affairs effectively. It is a three part test:

1. an automatic overseas test - if the conditions are met the individual is not-resident in the UK;
2. an automatic residence test – if the conditions are met the individual is UK resident; and
3. a 'sufficient ties' test – if neither of the above tests are met then the individual's UK ties must be determined and taken into account together with the days spent in the UK in the tax year.

The sufficient ties test is harder to meet for those who are leaving the UK than those who are coming here. The intention is that it will be harder to lose UK residence than to gain UK residence. The devil is in the detail! Many individuals still refer to the old 90 day count, which maybe incorrect under the new SRT rules. Please note that a day is spent in the UK if the individual is present in the UK at midnight at the end of the day – but this is also subject to anti-avoidance rules.

To read our basic SRT guide please [click here](#). Should you wish to discuss SRT and how it affects your UK tax position please speak to your contact person at our office or [Viral Haria/Hemel Khimasia](#).

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## TAX RELIEF FOR REPLACING FURNITURE IN LET PROPERTIES

The government announced in the Summer Budget that from April 2016, the current 10% Wear and Tear Allowance for furnished lettings will be replaced with a relief that enables all landlords of residential dwelling houses to deduct the costs they actually incur on replacing furnishings in the property. This will give relief for capital expenditure to a wider range of property businesses.

The proposals are being consulted on during summer 2015 and will give greater consistency and fairness across the residential property letting sector.

The new relief will apply to all landlords of residential dwelling houses, no matter what the level of furnishing.



Those operating furnished holiday lettings businesses will continue to claim capital allowances instead of the new replacement basis. If enacted, the new rules will apply from 6 April 2016 for income tax purposes and 1 April 2016 for corporation tax.

The new replacement furniture relief will only apply to the replacement of furniture, furnishings, appliances and kitchenware provided for the tenant's use in the dwelling house. The initial cost of furnishing a property would not be included.

This will put the old concessionary basis that applied up until 5 April 2013 on a statutory footing, and is welcome news for those letting properties unfurnished and providing white goods, carpets and curtains, where relief had been withdrawn for a three year period. It is also good to see the government responding to lobbying from the accounting profession and letting sector to restore the tax relief. Please contact us if you are potentially affected by these changes.

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## **TAXMAN BRINGS IN £1 BILLION FROM AVOIDANCE CRACKDOWN**

On 13 September, Financial Secretary to the Treasury, David Gauke announced: HMRC has collected £1 billion in tax receipts from users of tax avoidance schemes as a result of the government's new rules (Accelerated Payment Notices) to collect disputed tax upfront. HMRC comment that they are winning 80% of avoidance cases that people litigate and many more are settling before litigation.

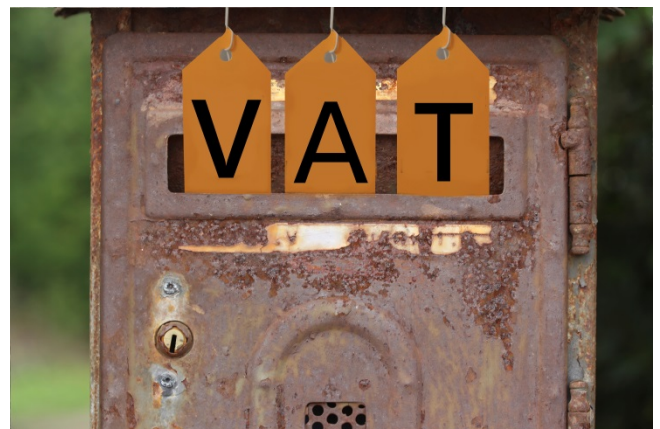
Since 2014, HMRC have issued more than 25,000 notices to pay disputed tax. By end of 2016, HMRC expect to have completed issuing around 64,000 bringing forward £5.5 billion in payments for the Exchequer by March 2020.

If you receive an Accelerated Payment Notice (APN), please do not ignore it; speak to the scheme provider and a UK Tax advisor. Should you wish to discuss this further, please do not hesitate to speak to your contact person at our office.

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## **VAT IS DUE ON CLOTHING GIVEN TO EMPLOYEES**

The high street retailer French Connection has recently lost a case before the Tribunal concerning whether or not VAT is due on the supply of clothes to their employees. The retailer required employees in their shops to wear clothes



from the current range and these were supplied free of charge.

The case concerned whether or not there was a taxable supply for VAT purposes. The retailer relied on VAT Notice 700 which states "You do not make a supply if you provide goods (such as overalls or tools) to employees solely for the purpose of their employment and make no charge."

The Tribunal held that the clothes did not qualify as a uniform and as the value of the clothes gifted in one year exceeded £50 then output tax was due on the value of the clothes supplied (cost to the employer).

Note that VAT may be due on many employee benefits such as private petrol and is something that is frequently checked by HMRC if they make a visit to examine your records.

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## **TERMINATION PAYMENTS UNDER REVIEW**

A further consultation taking place this summer is into the simplification of the tax and national insurance treatment of termination payments.

There is a widespread but mistaken belief amongst employees and employers that the first £30,000 of any pay-off is not subject to income tax and NICs. This often leads to difficulties when employees discover that the exemption does not apply to their circumstances and that income tax and NICs are due on the full amount.

Please contact us before you make any workers redundant as it is still possible to structure termination payments in a tax-efficient way if you get the documentation correct

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## **BANK AND OTHER INTEREST TO BE PAID GROSS FROM APRIL 2016**

As announced in the spring 2015 Budget, a new personal savings allowance will be introduced from 6 April 2016. This will be £1,000 a year tax free for basic rate taxpayers and £500 a year for higher rate taxpayers, but nil for those with income over £150,000.

As a consequence, tax will no longer be deducted at source from bank and building society interest. HMRC have launched a consultation to review whether changes should also be made to the rules on deduction of tax from other types of savings income such as "peer to peer" loans.

## GODLEY TEAM ON BOARD THE NATWEST 'START-UP BRITAIN' BUS IN HARROW

On Thurs. 17th Sept, Yogesh Patel and Viral Haria had great fun on-board the NatWest Business Bus, located a few metres away from our offices in Harrow. They presented to local entrepreneurs on 'Alternative methods of raising finance and common pitfalls for Entrepreneurs'.



## TAX DIARY OF MAIN EVENTS FOR OCTOBER 2015

- 1 October - Corporation tax for year to 31/12/2014
- 1 October - ATED Return 2015/16, properties between £1m to £2m
- 19 October - PAYE & NIC deductions, and CIS return and tax, for month to 5/10/15 (due 22 October if you pay electronically)
- 31 October - ATED payment (£7000)



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